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New Budget Overspends, Overtaxes



An Op-Ed By State Rep. Hank Bielawa

On June 7, the Legislature approved an exorbitant two-year budget package that once again, increases taxes in Connecticut. While there were some good points in this budget, such as increased aid to municipalities in Fiscal

Year '05-'06, there were also many negative aspects.

The most glaring problem with the \$31.2 billion budget is, despite spending most of the FY '04-'05 \$700 million surplus in the new biennial budget, it still raises taxes by \$738 million. Between January 2003, when I joined the Legislature, and June 2004, the state raised taxes annually by more than \$800 million. Another tax hike only makes Connecticut, already one of the most heavily taxed states in the nation, a more difficult place to live and work.

Connecticut citizens wait until May 5 to reach their "tax freedom" day. The term refers to the number of days the average resident will have worked to pay his/her total tax bill. The day after that time period is called "Tax Freedom Day" and Connecticut's date is the latest of any state. Considering the existing tax burden, I am increasingly amazed that the majority of state legislators believe that their constituents won't mind additional tax hikes as long as we continue to increase services.

The tax increases, which this year focus on estate taxes and the corporate surcharge, will harm the state's economy. While the General Assembly previously told businesses that the corporate surcharge would be 'sunsetted' in 2005, the budget ensures that this tax continues. It impacts small and large companies alike. Just as citizens are heavily taxed in our state, one should be aware that the Connecticut Business and Industry Association (CBIA) maintains that Connecticut is the fifth most expensive 'cost-of-doing-business' state in the United States. This budget sends a very negative message to the entire business community.

The reason for this additional taxation is not insufficient revenues but the Legislature's inability to control spending. It is clearly illustrated in the spending of \$625 million of the \$700 million surplus for ongoing programs and expenses. The remaining \$75 million will be placed in the Rainy Day Fund. Using one-time revenues or 'gimmicks' to fund ongoing expenses is irresponsible fiscal policy and something no rational person would

do with their personal finances. It creates an unsustainable level of spending and builds a spending-revenue gap for future budgets. The Legislature will have to find a similar gimmick next year or be forced to raise taxes to cover that gap, since making any meaningful reductions seems to be out of the question for the majority of legislators.

Some proponents have touted the increased aid to towns and cities as a highlight of this spending plan. As welcome as these funds are, the increases are so large that they set municipalities up for similar budget gaps in future years. The additional monies, which are unsustainable for the state in the long term, will be equally unsustainable for municipalities without future tax increases should the state funds dry up.

Spending levels are so high in this biennial budget that without an emergency declaration by Governor Rell, the budget would exceed the constitutional spending cap by more than \$200 million for the next two fiscal years. The cap was approved by more than 80 percent of state voters in 1992 and the constitutional limits should be adhered to, rather than merely used as “a guide” for future spending.

Finally, the spending increase for the two-year period is more than 12 percent. This is hardly in line with cost of living increases or raises most people see in their salaries. The vote on this budget, almost entirely along party lines, proves that the Legislature’s majority party simply cannot put the brakes on government spending.